



Administrative Services Branch

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September 13, 2010

AGENDA ITEM 3a

TO: MEMBERS OF THE AD HOC RISK MANAGEMENT COMMITTEE

- I. SUBJECT:** Risk Intelligent Enterprise Management Policy
(First Reading)
- II. PROGRAM:** Enterprise
- III. RECOMMENDATION:** Accept first reading of the Risk Intelligent Enterprise
Management Policy
- IV. ANALYSIS:**

In April 2009, CalPERS embarked upon a Governance Risk Management Initiative (the "GRMI" or the "Project"). The objective of the Project was to take a holistic view of risk, looking enterprise-wide at the existing governance and risk management structures and processes, to ensure that the organization has a systematic and disciplined approach to managing value and risk.

After a thorough review of CalPERS current risk architecture, and in light of the multifaceted risks faced by the organization, the Project Team recommends that the CalPERS Board of Administration (the "Board") adopt the attached Risk Intelligent Enterprise Management Policy (Attachment 1).

The purpose of this policy is to formalize and communicate CalPERS commitment and approach for Risk Intelligent Enterprise Management (RIEM). This policy will ensure that an effective set of risk intelligent enterprise management, practices, and systems are in place as an integral part of the way CalPERS conducts its business. This policy acknowledges that fundamental to becoming a risk intelligent organization is the embedding of risk intelligent management strategies, processes, and behaviors as a core governance principle.

CalPERS provides value by advancing the financial and health security for all who participate in the system. Key strategic goals speak to providing sustainable pension and health benefit products and services responsive to and valued by members, employers, and stakeholders.

The goal of risk intelligent enterprise management is to more systematically identify, evaluate, consider, address, and monitor value and risk as part of core decision-making and implementation. Implementation of risk intelligent management strategies across the entire enterprise will create future and protect existing value.

This policy recognizes that the discussions of value and risk are inseparable. For example, calculated and prudent risks must be taken and properly managed to innovate, take advantage of opportunities, and create future value, while at the same time protecting existing assets from loss, harm, misuse, and abuse.

The policy does not dictate the details of a risk intelligent enterprise management system, but rather it is intended to provide guidance to Executive Management in the development and implementation of such a system.

This policy establishes a common set of risk definitions, defines the roles and responsibilities of the Board and Executive Management, outlines risk management guiding principles, and articulates the value proposition surrounding risk intelligent enterprise management.

V. STRATEGIC PLAN:

This recommendation supports Goal II of the Strategic Plan, which states that CalPERS is committed to fostering “a work environment that values quality, respect, diversity, integrity, openness, communication, and accountability.”

VI. RESULTS/COSTS:

There are no costs associated with this item.

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Attachment